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## BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER CO., INC., AN  
ARIZONA CORPORATION, FOR A  
DETERMINATION OF THE FAIR VALUE  
OF ITS UTILITY PLANTS AND  
PROPERTY AND FOR INCREASES IN ITS  
WATER RATES AND CHARGES FOR  
UTILITY SERVICE BASED THEREON.

DOCKET NO: W-03514A-13-0111

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER CO., INC., AN  
ARIZONA CORPORATION, FOR  
AUTHORITY TO: (1) ISSUE EVIDENCE  
OF INDEBTEDNESS IN AN AMOUNT  
NOT TO EXCEED \$1,238,000 IN  
CONNECTION WITH INFRASTRUCTURE  
IMPROVEMENTS TO THE UTILITY  
SYSTEM; AND (2) ENCUMBER REAL  
PROPERTY AND PLANT AS SECURITY  
FOR SUCH INDEBTEDNESS.

DOCKET NO: W-03514A-13-0142

NOTICE OF COMPLIANCE WITH  
DECISION NO. 74175

Decision No. 74175 (October 25, 2013) directs Payson Water Co., Inc. ("PWC" or the "Company") to apply for elimination of the Emergency Interim Water Augmentation Surcharge Tariff ("Augmentation Tariff") currently in effect for its Mesa del Caballo system.<sup>1</sup> Towards that end, PWC hereby submits this Notice of Compliance.

PWC submits this notice as evidence of compliance and acknowledgment of the *eventual* need for the Augmentation Tariff's elimination. However, PWC respectfully requests that the Augmentation Tariff not be eliminated until *after* approval to implement an alternate mechanism for recovery of purchased water costs for Mesa del Caballo is

<sup>1</sup> See Docket No. W-03514A-10-0116, *et al.*, where PWC is concurrently filing this same Notice of Compliance.

1 issued. The Company is presently requesting, and Staff is recommending, a Purchased  
2 Water Adjustment Mechanism ("PWAM") to recover the cost of purchased water from  
3 the Town of Payson (the "Town") and to be delivered through the TOP-MDC  
4 interconnect pipeline, the financing of which was the subject of Decision No. 74175.  
5 If the final decision in this matter grants the Company's request effective May 1, 2014,  
6 then at that juncture the Augmentation Tariff will become unnecessary.<sup>2</sup>

7 PWC must have a recovery mechanism in place. Otherwise, it will be unable to  
8 buy water for delivery through the TOP-MDC line as the Augmentation Tariff only allows  
9 for recovery of costs of hauled water. Construction of the TOP-MDC line is scheduled to  
10 begin this month. The Company expects to place the TOP-MDC line into service in  
11 May 2014 and to have it ready for summer 2014. However, the Company will not be able  
12 to serve Mesa del Caballo customers through the TOP-MDC line if there is no PWAM,  
13 nor will it be able to haul water if the Augmentation Tariff is eliminated.<sup>3</sup> Therefore,  
14 PWC respectfully suggests that it is not in the public interest to eliminate the  
15 Augmentation Tariff until a decision in its rate case is issued and an alternative recovery  
16 mechanism is approved to allow PWC to recover the costs of water purchased from the  
17 Town for delivery to its customers.

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23 <sup>2</sup> Pursuant to the Commission's time-clock rule, new rates must be approved by  
24 approximately April 14, 2014. See R14-2-103(B)(11)(d).

25 <sup>3</sup> All purchased water costs for Mesa del Caballo have been removed from the operating  
26 expenses proposed by Staff and the Company. Thus, absent an alternative mechanism for  
recovery like the PWAM, the Company will not be able to recover the costs of purchasing  
water.

1                    RESPECTFULLY SUBMITTED this 6th day of March, 2014.

2                    FENNEMORE CRAIG, P.C.

3                      
4                    By \_\_\_\_\_  
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9                    Attorneys for Payson Water Co., Inc.

10                  **ORIGINAL** and thirteen (13) copies  
11                  of the foregoing were filed  
12                  this 6th day of March, 2014, with:

13                  Docket Control  
14                  Arizona Corporation Commission  
15                  1200 W. Washington Street  
16                  Phoenix, AZ 85007

17                  **COPY** of the foregoing was hand-delivered  
18                  this 6th day of March, 2014, to:

19                  Dwight D. Nodes  
20                  Assistant Chief Administrative Law Judge  
21                  Arizona Corporation Commission  
22                  1200 W. Washington Street  
23                  Phoenix, AZ 85007

24                  Robin Mitchell, Esq.  
25                  Legal Division  
26                  Arizona Corporation Commission  
                     1200 W. Washington Street  
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                     Carmel Hood, Compliance  
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                     Arizona Corporation Commission  
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